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INTERSTATE COMMERCE COMMISSION

October 13, 1992

Ms. Mildred Lee
Recordations Unit
Interstate Commerce Commission
12th & Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Ms. Lee:

Enclosed is a Locomotive Rebuild/Interim Lease/Purchase Agreement dated October 1, 1992, between the following parties:

Lessor: Electro-Motive Division,
General Motors Corporation
LaGrange, IL 60525

Lessee: Southern Pacific Transportation Co.
One Market Plaza
San Francisco, CA 94105

The equipment involved in this transaction is as follows:

Equipment: See Exhibit A

Please record this agreement as a primary document. The filing fee of \$16 is enclosed. Thank you for your assistance.

Sincerely,

Mary Ann Oster

Mary Ann Oster
Research Consultant

Enclosures

OCT 13 9 53 AM '92
RECORD OPERATING UNIT

C. Oster
by Mary Ann Oster

LOCOMOTIVE REBUILD/INTERIM LEASE/PURCHASE AGREEMENT

RECORDATION NO. 17977
OCT 9 1992
FILED 1025
OCT 9 10 00 AM
INTERSTATE COMMERCE COMMISSION

THIS REBUILD/INTERIM LEASE/PURCHASE AGREEMENT, made and entered into as of this 1st day of October, 1992, by and between Electro-Motive Division, General Motors Corporation, a Delaware corporation, ("EMD"), and Southern Pacific Transportation Company, a Delaware Corporation, ("SP").

WHEREAS, SP is willing to sell to EMD and EMD is willing to buy from SP certain unencumbered diesel electric locomotives originally manufactured by EMD and identified in Schedule A hereto (the "Locomotives");

WHEREAS, SP is willing to lease the Locomotives on an interim basis from EMD if they can be restored to good operating condition;

WHEREAS, EMD is willing to rebuild the Locomotives in accordance with the Specifications set forth in Schedule B attached hereto (the "Specifications") if SP agrees to lease the Locomotives from EMD on an interim basis and to arrange for the purchase of them from EMD at the end of the lease term; and

WHEREAS, SP is willing to arrange for the purchase and EMD is willing to sell the Locomotives subject to the following terms and conditions.

NOW, THEREFORE, In consideration of the following promises and undertakings, the parties agree as follows:

1. EMD's Purchase of Locomotives:

EMD will purchase the Locomotives from SP for the sum of \$10,231,836.85 which sum is equal to their respective depreciated ledger values on the books of SP and shall be paid by EMD upon SP's delivery of a bill of sale for the Locomotives in the form attached hereto as Schedule C and an appropriate opinion of outside counsel as to the clear title of said Locomotives. EMD's payment shall be by wire transfer of immediately available funds to the following SP account:

Bank of America, NT&SA (ABA 121000358)
San Francisco Main Office
345 Montgomery Street
San Francisco, CA 94104

Credit Southern Pacific Transportation Company
Account #00331-12140

2. Rebuild:

(a) EMD agrees to rebuild each of the Locomotives in accordance with the terms of the Proposal from EMD #917277 dated February 27, 1992 ("Proposal") and attached hereto as Appendix I, subject to the modifications set forth in this Agreement (including Schedule B attached hereto). SP will acknowledge EMD's satisfactory completion of its rebuild obligations hereunder and SP's acceptance of each rebuilt Locomotive by furnishing an Acceptance Certificate in the form attached as Schedule D executed by an authorized representative stating that such Locomotive is accepted in accordance with the terms hereof if the obligations of EMD are met.

(b) EMD represents that each Locomotive will be rebuilt within 8 weeks of its receipt by EMD at the SP point of interchange with the Illinois Central Railroad Company at Memphis, Tennessee. In order to meet the time schedule, SP will deliver to and EMD will accept Locomotives according to the following schedule (subject to any adjustment required by Schedule B hereof):

<u>Month</u>	<u>Number of Units</u>
Not later than September 30, 1992	33
Not later than October 31, 1992	15
Not later than November 30, 1992	15
Not later than December 31, 1992	15
Not later than January 31, 1993	15
Not later than February 20, 1993	7

Notwithstanding the above, SP and EMD agree that the maximum number of Locomotives in the rebuilding process at the point of rebuild and out of SP's possession at any one time shall not exceed seventeen (17) unless the parties agree otherwise in writing.

3. Warranties:

EMD warrants that each Locomotive rebuilt hereunder will comply with the Specifications.

EMD further warrants that all parts and components applied to any Locomotive in the rebuild process and the workmanship involved in such process shall be free from defects which may develop under normal use and service within two (2) years from the date such Locomotive is first put in service by SP after the rebuilding pursuant to this Agreement or before such Locomotive has been operated two hundred forty thousand (240,000) miles, whichever event shall first occur. The terms and additional conditions relative to the warranty set forth in Schedule C of the Denver, Burnham Facility Material Supply Agreement between the parties dated as of March 17, 1992 also apply. EMD agrees to correct such

defects, which examination shall disclose to the reasonable satisfaction of EMD to be defective, by repair or replacement thereof FOB factory. Such correction shall constitute fulfillment of EMD's obligation with respect to any defect.

EMD warrants specialties not of its own specification or design to the same extent that the suppliers of such specialties warrant such items to EMD, but only to the extent that such specialties (either taken separately or in the aggregate) are not available directly from EMD as manufacturer or designer of such specialties.

THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, MADE BY EMD EXCEPT THE WARRANTIES SET OUT ABOVE OR AS OTHERWISE SET FORTH HEREIN.

4. Availability Guarantee:

(a) EMD guarantees that the Locomotives rebuilt for SP hereunder will have ninety-six percent (96%) availability (i.e., "A" as defined below) each quarter during the period beginning on the first day of the month next succeeding the date on which the final rebuilt Locomotive has been accepted by SP hereunder, and ending twelve (12) months thereafter and ninety-five percent (95%) availability during each quarter of the next succeeding twelve (12) month period of such use based on average fleet availability during each such quarter, computed as follows:

$$A = \frac{LD - (SD+FD)}{LD}$$

Where:

"A" is the availability of the Locomotives over the quarter;

"LD" is the number of Locomotives in service during the quarter multiplied by the number of days in the quarter;

"SD" is the number of days in the quarter operating Locomotives are out of service for scheduled maintenance, limited to one day per Locomotive per quarter;

"FD" is the number of days in the quarter Locomotives are out of service for "qualified failures" (as more fully described in Subsection (b)(i) of this Section 4) limited to three (3) days per Locomotive per occurrence.

Such calculations shall be made to the nearest one-tenth percent (0.1%). The first calculation shall be made for the three (3) month period beginning on the first calendar day of the month next succeeding the date on which the final rebuilt Locomotive has been accepted by SP. Reports will be prepared by EMD and SP for each three (3) calendar month period, and each of the two (2) twelve (12) month periods covered by this guarantee within thirty (30) days of the expiration of each such period.

(b) The following conditions will apply to the guarantee provided in (a) above:

(i) A shopping must be caused by the failure of an item or items replaced during the rebuild process and qualify for replacement under the warranty provisions hereof in order to constitute a "qualified failure."

(ii) Locomotive availability in excess of the guaranteed levels in any quarter may be set off against locomotive penalty days accrued in previous quarters. Deficits will be settled at the end of each twelve-month period.

(iii) EMD's maximum liability to SP for Locomotive use days or liquidated damages (each valued at \$275 per day) shall not exceed Two Hundred Thousand Dollars (\$200,000) in each of the two twelve-month periods covered hereunder.

(iv) Failures due to vandalism, abuse, accidents or the use of fuels or lubricants by SP not in accordance with manufacturer specifications will not constitute qualified failures.

(v) SP will provide EMD's representatives with the maintenance records necessary to make the foregoing calculations.

(c) In the event the availability of Locomotives during either of the two (2) periods covered by the guarantee provided in paragraph (a) above falls below the level guaranteed, EMD agrees to afford SP, at the option of SP (subject to the provisions of Subsection (ii) hereof), as liquidated damages and not as a penalty, either:

(i) A sum in cash not exceed Two Hundred Thousand Dollars (\$200,000) determined as follows:

$$\$275 \times LD \times V$$

Where:

LD is as defined above and V is the difference between A as defined above and the level of availability guaranteed for the period; or

(ii) One day's use of an equivalent or greater horsepower locomotive for each \$275 (or portion thereof exceeding \$137.50) of such liquidated damages; provided, however, that if SP chooses this option and locomotives are not reasonably available from EMD to meet EMD's obligations under this Subsection, EMD shall advise SP of such circumstances and pay SP cash pursuant to Subsection (i) hereof in lieu of the provisions of this Subsection to the extent of such nonavailability.

Availability above the ninety-six percent (96%) level guaranteed for the first period may be carried forward as an offset to liquidated damages which might be payable with respect to the second period.

5. Patents:

EMD shall defend any suit or proceeding brought against SP which is based on a claim that any Locomotive, or any part thereof, constitutes an infringement of any patent, if notified promptly in writing and given authority, information and assistance (at EMD's expense) for the defense of same, and EMD shall pay all damages and costs awarded therein against SP.

In the event any Locomotive or any part thereof, is in such suit held to constitute infringement and the use of such Locomotive or part is enjoined, EMD shall at its option and expense, either procure for SP the right to continue using such Locomotive or part, or replace same with non-infringing equipment, or modify such Locomotive or part so that it becomes non-infringing, or remove such Locomotive or part and refund the purchase price and the transportation and installation costs thereof.

EMD will not assume liability for patent infringement by reason of purchase, manufacture, sale, or use of devices not included in and covered by its specification.

The foregoing states the entire liability of EMD for patent infringement by any Locomotive or any part thereof.

6. Delays:

Should delivery of any Locomotive to SP be delayed due to causes beyond the control of EMD, including but not limited to any: action or inaction by SP; act of God; act of any Government or political subdivision thereof; fire, flood, explosion or other catastrophe; epidemic, quarantine restriction; act of a public enemy; strike, slowdown or labor shortage of any kind; or material, transportation or utility shortage or curtailment or supplier delay due to any of the foregoing causes; and the EMD promptly notifies SP thereof in writing, the time allowed for performance will be extended by a period of time equal to the period of delay.

7. Sale of Locomotives:

(a) It is the intention of SP and EMD that after the rebuilding of the Locomotives pursuant to this Agreement, the Locomotives will be sold to a third party at a price equal to the greater of (i) the sum of their rebuild costs determined in accordance with Schedule B hereof plus the costs of their acquisition by EMD pursuant to Section 1 hereof ("Total Purchase Price") or (ii) their appraised value, and thereafter leased to SP by said third party. In the event that the appraised value exceeds the Total Purchase Price, such excess, as realized by EMD upon the sale of the Locomotives, shall be for the account of and paid immediately to SP. Such purchase and lease arrangements must be in place not later than 30 days after delivery to SP of the final rebuilt Locomotive or May 31, 1993, whichever occurs later. If such arrangements are not in place by such date, SP will pay the Total Purchase Price to EMD and title to the Locomotives shall pass to SP upon such payment at mutually acceptable locations.

(b) EMD shall convey free and clear title to all Locomotives (including all improvements) upon receipt of all rents due hereunder and the Total Purchase Price therefor from SP or its designee, by bill of sale to SP or its designee in the form attached hereto as Schedule E.

8. Purchase of Locomotives by SP:

As set forth in Section 7 hereof, it is the intention of SP to arrange for the payment to EMD of the Total Purchase Price by a third party. Arrangements for such payment may not be in place by the time that the first Locomotives are ready for delivery to SP. Therefore, notwithstanding the terms of the Proposal, as set forth in Schedule B and the terms hereof, SP and EMD agree to enter into an interim lease for such Locomotives delivered prior to finalization of payment arrangements. Such interim lease shall be upon the terms set forth in Sections 10 through 25 below.

9. Taxes:

(a) All license and registration fees, and sales, use and transfer taxes arising out of the transactions contemplated by this Agreement, together with any penalties or interest thereon, imposed by any governmental authority, whether or not the same shall be assessed against or in the name of EMD or SP, shall be reported and paid by SP (or EMD at SP's expense) unless such transactions are exempt from such fees and taxes.

(b) SP's obligations under (a) above shall be conditioned upon EMD, prior to the Closing Date or at such other time as SP in its discretion determines, executing and delivering to SP (on forms supplied and completed by SP at SP's expense) resale certificates or similar documents for applicable jurisdictions as SP in its

discretion determines and, if necessary, to issue such certificates or other documents, applying for (on forms supplied, completed and filed by SP at SP's expense) sales tax permits or similar documents for applicable jurisdictions. In addition, unless otherwise required by law, upon commencement of the lease from EMD, SP shall be responsible for reporting the Locomotives for ad valorem property tax purposes where applicable and EMD shall not include the Locomotives in any ad valorem or other similar tax returns filed by EMD.

(c) SP shall not be required to indemnify EMD pursuant to this Section 9 for the following: (i) any income, franchise or capital taxes measured by book value or by net income of EMD (including any minimum or alternative minimum income taxes and any income taxes on or measured by items of tax preference) arising out of this Agreement; (ii) any taxes and fees specified in Section 9(a) hereof which arise out of or are caused by any act or omission of EMD where such act or omission is not contemplated by this Agreement.

(d) If any claim is made against EMD, by commencement of proceedings against EMD or otherwise, for any taxes, including interest and penalties thereon, as to which SP would have an indemnity obligation pursuant to this Section 9, EMD shall promptly notify SP of such claim in writing; provided, however, that EMD's failure to provide such notice shall not reduce SP's obligations hereunder except to the extent that such failure results from EMD's willful misconduct or negligence and materially prejudices SP's ability to pursue its contest rights hereunder. SP may, at its expense, in good faith and by appropriate administrative or legal proceedings, contest or defend an asserted claim or liability for which it is indemnifying under this Section 9, so long as in the reasonable opinion of EMD such contest or defense is being diligently conducted by persons reasonably satisfactory to EMD, provided, however, SP may only conduct such contest or defense upon providing a letter of credit, bond or other security reasonably satisfactory to EMD to cover the potential taxes, including interest and penalties thereon, involved. Any contest or defense conducted pursuant to this Section 9(d) may be conducted by SP either on its own behalf or (if required by the applicable jurisdiction and permitted by EMD in writing, which permission shall not be unreasonably withheld) on behalf of EMD. SP shall reimburse EMD for all costs and expenses, including (without limitation) reasonable legal fees and expenses, which EMD may incur in connection with such contest or defense. EMD agrees to offer its cooperation and assistance, at no cost or expense to EMD, to SP in SP's conduct of such contest or defense.

10. Lease:

SP agrees to lease the Locomotives on an interim basis from EMD together with all replacement parts, additions, repairs and accessories incorporated therein and/or affixed thereto during the term set forth in Section 11 hereof.

During the term of the interim lease, SP will keep and maintain, conspicuously marked on each side of each Locomotive, in letters not less than one inch in height, as applied by EMD during the rebuild process, the words "General Motors Corporation, Electro-Motive Division Owner," with appropriate changes thereof as from time to time may be required by law, in the opinion of EMD, in order to protect the EMD's title to and interest in the Locomotive and the rights of EMD under the interim lease. Subsequent to EMD having rebuilt the Locomotives and SP having accepted such Locomotives, SP will not place any Locomotive in operation or exercise any control or dominion over the same unless such words are so marked and SP will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. SP will not change the identification number of any Locomotive unless and until a statement of the new number therefor is delivered to EMD and filed in all public offices where this Lease may be filed.

SP will not allow the name of any person, association or corporation to be placed on an Locomotive as a designation that might be interpreted as a claim of ownership other than markings of railroads customarily placed on such Locomotives.

11. Rent/Term:

(a) This interim lease shall commence with respect to each Locomotive as of the date of this Agreement (the "Rent Commencement Date").

The daily rent for each Locomotive shall be calculated as follows:

(i) From the Rent Commencement Date to the date of acceptance by SP of the rebuilt Locomotive from EMD:

$$LC \times CC \div 365$$

Where:

"LC" is the purchase price of the Locomotive paid by EMD to SP, pursuant to Section 1 of this Agreement, on Rent Commencement Date; and

"CC" is one and one quarter percent (1.25%) above the prime rate of interest quoted in the Wall Street Journal as of the Rent Commencement Date.

(ii) From the date of acceptance by SP of the rebuilt Locomotive from EMD to the date of termination of this interim lease pursuant to Subsection (c) below:

$$(LC + RC) \times CC \div 365$$

Where:

"LC" and "CC" are used as defined above; and

"RC" is the sum of EMD's rebuild charges for the Locomotive determined in accordance with the provisions of Schedule B hereof.

(b) SP shall not be entitled to any reduction of rent nor any setoff, counterclaim, recoupment or defense against rent or any other amount payable hereunder for any reason whatsoever, including, but not limited to, reductions, setoffs, counterclaims, recoupments or defenses due or alleged to be due by reason of any past, present or future claims of SP against EMD or any other person for any reason whatsoever, except as otherwise provided herein.

(c) This interim lease shall terminate upon purchase of the Locomotives in accordance with Section 7 hereof. All rent accrued and payable pursuant to this Section 11 shall be due upon termination of this interim lease.

12. Payment:

SP shall wire transfer immediately available funds in payment of all amounts due hereunder to the following account within ten (10) days of receipt of an invoice therefor (provided, however, that no invoice shall be submitted to SP prior to the date that a payment would otherwise be due hereunder):

Electro-Motive Division
General Motors Corporation
c/o 1st National Bank of Chicago
Account No. 50-63191
"Rental Income Account"
Attn: Comptroller

13. Recordkeeping; Inspection:

SP agrees to keep and maintain and make available to EMD such records of SP's use, operation, inspection, repairs and maintenance of the Locomotives subject to the interim lease as shall be

reasonably required by EMD. EMD's agents shall have the right at all reasonable times to go upon the property of SP to inspect the Locomotives.

14. Casualty/Condemnation:

(a) SP shall notify EMD in the event any Locomotive shall become lost stolen, destroyed, irreparably damaged, permanently rendered unfit for use from any cause whatsoever, other than acts or omissions of EMD, during the term of the interim lease (any such occurrence being hereinafter called a "Casualty Occurrence"). Within thirty (30) days of any Casualty Occurrence, SP shall pay to EMD (i) all rent due on or prior to such date, and (ii) EMD's total investment in such Locomotives at the time of Casualty Occurrence (i.e., "LC", plus, if the Casualty Occurrence occurs after acceptance by SP of the rebuilt Locomotives hereunder, "RC", as such terms are defined in Section 11 hereof) ("Casualty Value") of the Locomotive as stated in Schedule A hereto or by mutual agreement, replace such Locomotive with another of like model, and condition with the same accessories free and clear of all liens and encumbrances.

(b) Upon payment of any Casualty Value, the terms of this Agreement (including SP's purchase obligation) shall no longer apply to the Locomotive which was the subject of such payment and title to and rights in such Locomotive shall thereupon vest in the SP, provided, however, that EMD shall have the option, to be exercised within fifteen (15) days after any such payment by SP, to retain the subject Locomotive upon payment to SP of the scrap or salvage or fair market value thereof, whichever is higher, to be determined by mutual agreement or, failing such agreement, by the average of the bids thereon by three independent parties.

(c) In the event that a Locomotive is taken or requisitioned by condemnation or otherwise by any governmental entity for a period which shall exceed the remaining term hereof, EMD shall relieve SP from rental payments for such Locomotive effective with the date it was first requisitioned or condemned and settle with such governmental entity upon appropriate consideration for such taking. SP shall immediately pay over to EMD any proceeds which it may receive in consideration of any such taking.

15. Indemnity:

(a) SP agrees to indemnify, protect and hold harmless EMD from and against all losses, damages, injuries, death, liabilities, claims and demands whatsoever (including claims arising from injury to persons or property), and reasonable expenses in connection therewith, including, but not limited to, reasonable counsel fees arising from any action or inaction of the SP in connection with the actual or alleged use or transport of any Locomotives only

under the interim lease or from the SP's failure to promptly perform any of its obligations only under the interim lease.

(b) SP shall also, at its own cost and expense, defend any and all suits which may be brought against EMD upon any such liability or claim and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against EMD in any such action provided EMD gives SP written notice of any such claim or demand. SP shall not be required to indemnify EMD for any loss, liability or expense resulting from EMD's negligence, strict liability in tort or breach of any repair obligation hereunder. The indemnities arising under this Section 15 shall continue in full force and effect notwithstanding the full payment of all other obligations hereunder or the expiration or termination hereof.

(c) SP shall not be required to indemnify EMD pursuant to this Section 15 for any taxes, including interest or penalties thereon, it being agreed that the indemnity for taxes is intended to be limited to that provided in Section 9 hereof.

16. Compliance with Law - Repair and Maintenance:

(a) SP shall comply with all applicable FRA requirements, the interchange rules of the Association of American Railroads and all other applicable governmental laws, regulations and requirements with respect to the use, maintenance and operation of the Locomotives during the term of the interim lease except during such period that the Locomotives are in EMD's possession for rebuilding pursuant to the terms of this Agreement. Upon delivery to SP by EMD of the rebuilt Locomotives, SP agrees to continue its compliance with the foregoing and also to comply with the maintenance schedules recommended by EMD as the manufacturer of the Locomotives, including but not limited to Maintenance Instructions 1738, 1740, 1748, 1750, 1752, 1755 and 1764, receipt of which is hereby acknowledged by SP. SP further agrees to use the Locomotives only in the manner for which they are designed and intended during the interim lease and, after delivery to SP by EMD of the rebuilt Locomotives hereunder, to adhere to its Maintenance Schedules SFS through M24.

(b) SP agrees to prepare and deliver to EMD, upon request and within a reasonable time prior to the required filing date (or to the extent permissible, file on behalf of EMD) any and all reports (other than tax returns) to be filed by EMD with any regulatory authority by reason of EMD's ownership or lease of the Locomotives.

17. Assignment by SP:

SP shall not assign or sublet its interest under the interim lease, or any part thereof, or permit the use or operation of the Locomotives by any other person, firm or corporation without the prior written consent of EMD. EMD expressly consents to incidental

operation and use on railroads other than the SP's under standard run through arrangements, provided, however, that a Locomotive may not be so operated or used outside the United States and Canada, subject to the following conditions:

If Locomotives are to be operated in Canada, SP shall (i) make all filings with Canadian national, provincial and local governmental entities necessary to protect EMD's ownership interest in the Locomotives prior to any such operation; (ii) take no action to jeopardize EMD's ownership interest; and (iii) indemnify EMD against any increased cost, expense, liability, or claim, including taxes, that may arise because of such operation.

Notwithstanding any assignment or sublet as provided in this Section, SP shall not be relieved of its obligations hereunder without the written consent of the EMD.

18. Assignment by EMD:

EMD may at any time assign its rights and obligations under the interim lease (but not the remainder of this Agreement). In such event, EMD's assignee shall have, to the extent provided in the assignment, the rights, powers, privileges and remedies of EMD hereunder, provided, however, that no assignment shall relieve EMD of its obligations to SP under the terms of this Agreement.

19. Quiet Enjoyment:

So long as SP complies with the terms and provisions of the interim lease, SP shall be entitled to the use and possession of the Locomotives according to the terms of the interim lease without interference by the EMD or by any party lawfully claiming by or through the EMD.

20. Protection of EMD's Title:

EMD may, at its option, file the interim lease with the Interstate Commerce Commission and elsewhere to protect EMD's title to the Locomotives during the interim lease term. SP will, from time to time, execute, acknowledge and deliver to EMD any and all further instruments reasonably requested by EMD, for the purpose of protecting EMD's title to the Locomotives.

21. Performance Obligations:

In the event that either party shall fail duly and promptly to perform any of its obligations hereunder, the other party may, at its option, perform same for the account of the failing party without thereby waiving such default. Any amount paid or expense (including reasonable attorneys' fees) incurred by the performing party in such performance, together with interest at the lesser of one and five-tenths per cent (1.5%) per month or the highest amount

allowed by law thereon until paid, shall be payable by the failing party upon demand as an additional payment hereunder.

22. SP's Covenants:

SP will, during the term of the interim lease: (i) defend at SP's own cost any action, proceeding or claim affecting the Locomotives arising from SP's lease of the Locomotives hereunder; (ii) take all action reasonably requested by EMD to preserve or perfect EMD's interest in the Locomotives (provided, however, that SP's compliance with any request other than to meet SP's obligations specifically required by other Sections of this Agreement shall be at EMD's sole cost and expense); (iii) not misuse, fail to maintain, secrete, sell, rent, lend, encumber or transfer the Locomotives, except as provided in Section 17 hereof; and (iv) permit EMD to enter upon SP's premises at any reasonable time and upon reasonable notice to inspect the Locomotives.

23. Default:

(a) An event of default under the interim lease provided for herein shall occur if SP:

(i) fails in any of its obligations under the interim lease and such failure continues uncured for fifteen (15) days after written notice thereof to SP by EMD;

(ii) ceases doing business as a going concern;

(iii) files a voluntary petition in bankruptcy or files a petition seeking reorganization, composition, readjustment, liquidation, dissolution or similar arrangement or files an answer admitting the material allegations of a petition filed against it for such purpose;

(iv) consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of any substantial part of its assets;

(v) fails to have any proceeding seeking reorganization, arrangement, readjustment, liquidation, dissolution or the appointment of any trustee, receiver or liquidator of any part of its assets dismissed or vacated within sixty (60) days; or

(vi) attempts to remove, sell, transfer, encumber, part with possession or sublet any Locomotive or any part thereof in a manner prohibited hereunder.

(b) Upon the occurrence of an event of default under the interim lease, EMD, at its option, may:

(i) declare all sums due and to become due under the interim lease immediately due and payable;

(ii) proceed by appropriate court action to enforce performance by the SP of any and all covenants and to recover damages for the breach thereof;

(iii) demand that SP deliver the Locomotives forthwith to EMD at SP's expense at such place as EMD may designate on the lines of SP; or

(iv) without notice or legal process, enter into any premises under the control of SP or any agent of SP where any Locomotive may be and retake all or any item thereof, in accordance with applicable law, SP hereby expressly waiving all further rights to possession of the Locomotives and all claims for damages related to any such retaking.

(c) If any statute governing any proceeding hereunder specifies the amount of EMD's deficiency or other damages for breach of the interim lease by the SP, EMD shall be entitled to an amount equal to that allowed under such statute.

(d) EMD's remedies under this Section 23 shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. SP hereby waives: (i) any requirements of law which might limit or modify the remedies herein provided, and (ii) any claim to any right of offset against the rental payments due under the interim lease. EMD shall, moreover, be entitled to all rights provided for in any bankruptcy act, including the right to take possession of any Locomotive upon any event default hereunder, regardless of whether SP is in reorganization.

24. Notices:

Unless otherwise specifically provided, any notices to be given under the interim lease and other provisions of this Agreement or any other communications between the parties shall be considered effective upon delivery and shall be given by personal delivery or by certified mail, postage prepaid in the following manner:

(a) Notices from EMD to SP shall be sent to:

Southern Pacific Transportation Company
One Market Plaza
San Francisco, CA 94105
Attn: Chief Mechanical Officer

With copy to: Vice President and General Counsel

or to such other address as SP may from time to time indicate by written notice to EMD.

(b) Notices from SP to EMD shall be sent to:

Electro-Motive Division
General Motors Corporation
9301 West 55th Street
La Grange, Illinois 60525
Attn: Comptroller

or to such other address as EMD may from time to time indicate by written notice to SP.

25. Choice of Law:

This Agreement shall be governed in all respects by the Law of the State of Illinois and shall be deemed to be entered into in the State of Illinois.

26. Miscellaneous:

(a) No failure or delay by either party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by either party preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

(b) All transportation charges on SP's lines for delivery of Locomotives to and from the point of interchange listed in Schedule B hereunder shall be borne by SP and all transportation charges off of SP's lines shall be borne by EMD.

(c) If any part hereof is contrary to, prohibited by or deemed invalid under applicable laws or regulations of any jurisdiction, such provision shall be inapplicable and deemed omitted but shall not invalidate the remaining provisions hereof.

(d) This rebuild/interim lease/purchase agreement, Schedules A, B, C, D and E and Appendix I hereto constitute the entire agreement between the parties concerning the sale, rebuilding, lease and purchase of the Locomotives and no modification hereof shall be effective unless reduced to writing and signed by authorized representatives of the parties.

IN WITNESS WHEREOF, the parties hereto intending to be legally bound thereby have executed this Agreement as of the date first above written.

GENERAL MOTORS CORPORATION
ELECTRO-MOTIVE DIVISION

By: G. [Signature]

Title: Comptroller

Attest: [Signature]

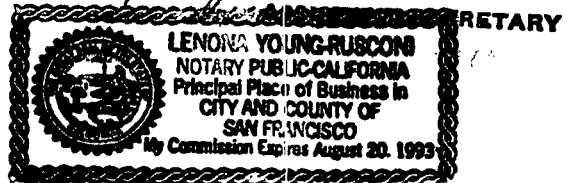
State of California)
County of San Francisco) ss.

SOUTHERN PACIFIC TRANSPORTATION
COMPANY

By: E. F. Grady

Title: TREASURER

Attest: B. J. Mederia



On this 1st day of October, 1992, before me personally appeared E. F. Grady, to me personally known, who, being by me duly sworn, did say that he is a Treasurer of Southern Pacific Transportation Company, that the instrument was signed on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Lenora Young-Rusconi
Notary Public

My commission expires:
August 20, 1993

State of Illinois)
County of Cook) ss.

On this 1st day of October, 1992, before me personally appeared P. M. Smith, to me personally known, who, being by me duly sworn, did say that he is a Comptroller of ELECTRO-MOTIVE DIV. GMC., that the instrument was signed on behalf of such corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Juanita Acantilado
Notary Public

My commission expires:
April 17, 1996



Locomotive Numbers

(ALL SOUTHERN PACIFIC TRANSPORTATION COMPANY)

7303	8491	9328
7306	8492	9329
7314	8493	9330
7316	8494	9333
7320	8496	9335
7321	8527	9337
7323	8548	9343
7326	8549	9345
7331	8557	9347
7333	8559	9359
7335	9194	9361
7336	9197	9362
7338	9201	9365
7400	9207	9366
7486	9231	9367
7609	9238	9368
7611	9242	9372*
7613	9243	9373*
7615	9245	9375*
7616	9250	9378*
7617	9254	9381*
7620	9273*	9385*
7623	9276*	9387*
7625	9282*	9391*
8301	9287*	9392*
8304	9288*	9395*
8305	9294*	9396*
8306	9298*	9400*
8316	9299*	9401*
8350	9300*	9402*
8351	9308	9403*
8352	9311	9404*
8355	9313	
8365	9314	

* Formerly owned by St. Louis Southwestern Railway Company and sold to Southern Pacific Transportation Company.

BILL OF SALE

In consideration of one dollar (\$1.00) and other valuable consideration, receipt of which is hereby acknowledged, SOUTHERN PACIFIC TRANSPORTATION COMPANY ("Seller"), a Delaware corporation hereby sells and transfers to ELECTRO-MOTIVE DIVISION, GENERAL MOTORS CORPORATION ("Buyer"), a Delaware corporation, ONE HUNDRED (100) Locomotives listed on Exhibit A hereto none of which is suitable for extended line haul use.

The term "Locomotives" includes each Locomotive and all the appurtenances, additions and parts thereon.

SAID LOCOMOTIVES ARE SOLD AS IS IN THEIR PRESENT CONDITION WITH ALL FAULTS. NO WARRANTY, EXPRESS OR IMPLIED, IS MADE BY SELLER AS TO THE CONDITION OR MERCHANTABILITY OF SAID LOCOMOTIVES OR THE FITNESS FOR ANY PARTICULAR PURPOSE THEREOF FOR USE OR OTHERWISE OR FOR THEIR COMPLIANCE WITH FEDERAL RAILROAD ADMINISTRATION REGULATIONS.

Seller covenants and warrants that it is the lawful owner of said Locomotives and that each Locomotive is free and clear of any liens or encumbrances.

IN WITNESS WHEREOF, Seller has signed these presents this 1ST day of OCTOBER, 1992.

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By E. F. Grady

Attest: A. J. O'Connell
Secretary

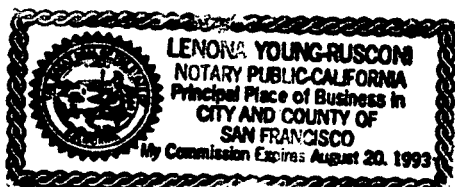
STATE OF CALIFORNIA)

CITY AND COUNTY OF SAN FRANCISCO)

) ss.

On this 1st day of October, in the year 1992 before me Lenora Young-Rusconi, a Notary Public in and for the City and County of San Francisco, State of California, personally appeared E. F. Grady personally known to me to be the person who executed the within instrument on behalf of the Corporation therein named and acknowledged to me that the Corporation executed it.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City and County of San Francisco, the day and year in this certificate first above written.



Lenora Young-Rusconi
Notary Public in and for the City and County
San Francisco, State of California